

STATE OF COLORADO

John W. Hickenlooper, Governor
Christopher E. Urbina, MD, MPH
Executive Director and Chief Medical Officer

Dedicated to protecting and improving the health and environment of the people of Colorado

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Colorado Department
of Public Health
and Environment

SEP 13 2011

CCAT Board of Directors
Paul D. Carestia, Director
P.O. Box 964
Cañon City, CO 81215

Dear Mr. Carestia:

Thank you for commenting on Cotter Corporation's 2011 Annual Financial Assurance Report. While some of the comments you have provided relate to ongoing legal action and will not be addressed here, I will attempt to respond to other comments as appropriate. In addition, many of your comments involve assumptions and accusations regarding the behavior of the Department which provide no substantive input to the financial assurance issue. I will not take the time to address these claims, but consider them to be incorrect and unsubstantiated.

The technical comments beginning on page 2 of your letter are currently included in CCAT's current legal action against the Department. The remainder of the comments are less technical as to the specifics of financial assurance calculation.

Beginning on page 5 of your letter, you indicate that no activity has been conducted at the Cotter site to address contamination or site closure. Part of my presentation at CAG meetings has been describing the ongoing work at the site as it relates to decommissioning, and characterization and mitigation of contamination. Rather than attempt to list each activity, I refer you to the CAG notes or presentations I have made at CAG meetings which are located on our web site.

You raise the question of the reality of the financial assurance cost estimates. Financial assurance uses estimates, not real costs. Financial assurance is based on the hypothetical situation where at some unknown point in the future Cotter does not perform the work and the state is required to do so. While the scope of many of the activities required for closure is relatively straightforward, others are as yet poorly defined or undefined, as you noted. Thus the financial assurance estimates are indeed estimates based on assumed scope, timing and state structure for implementing the projects. State burdened rates (indirect and overhead) are different from Cotter's as you would expect between a public

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and private entity. Since state costs are often higher than private entity costs, use of Cotter's actual costs would likely undervalue the hypothetical future work.

You have also questioned why Cotter has not included the costs of relocating the tailings off site in their estimates. There is no requirement at this time in the reclamation plan that this option be included. As you know, when Cotter's earlier operations were terminated in the early 1980's, materials from the old tailings ponds and mill decommissioning were placed in newly constructed tailings disposal cells - as you described for other uranium mills.

Your comments regarding costs at other uranium milling sites and regarding long term care estimates are included in your lawsuit; however, I do suggest you review the available information regarding these claims.

We appreciate and encourage your continued interest in Cotter issues.

Sincerely,



Steve Farlton, Manager
Radiation Program